

ITAWAMBA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

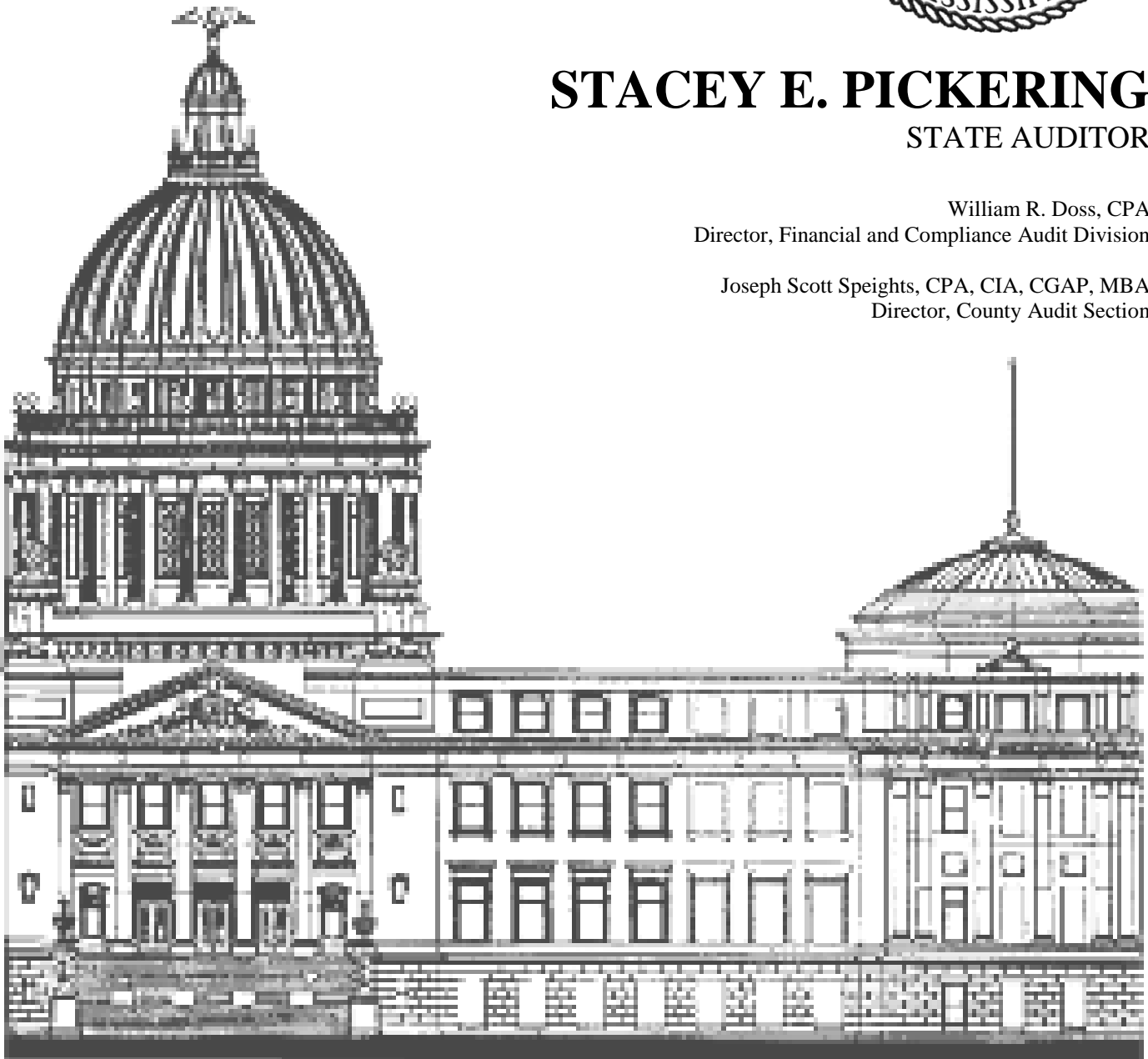


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

November 7, 2014

Members of the Board of Supervisors
Itawamba County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Itawamba County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Itawamba County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Itawamba County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

FINANCIAL SECTION

ITAWAMBA COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Itawamba County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Itawamba County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court and the aging of these fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of Justice Court fines receivable, net, reported on the Statement of Net Assets and in the General Fund at \$442,814, as of September 30, 2012. Also, because of the nature of the Justice Court fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions in the General Fund.

In our opinion, because of the omission of the discretely presented component units, as discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Itawamba County, Mississippi, as of September 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effect of the matter discussed in the fourth paragraph, if any, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund of Itawamba County, Mississippi, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

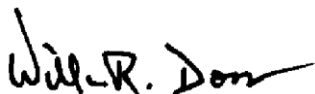
Also, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Countywide Road Maintenance Fund, the Solid Waste Disposal Fund and the aggregate remaining fund information of Itawamba County, Mississippi, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the previously issued 2011 financial statements have been restated. Our previously issued report on those financial statements dated, October 2, 2013, is no longer to be relied upon because the previously issued 2011 financial statements were materially misstated, and that report is replaced with this report on the restated 2011 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of Itawamba County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Itawamba County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

A handwritten signature in black ink that reads "Will-R. Dooss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 7, 2014

ITAWAMBA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

ITAWAMBA COUNTY

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Itawamba County
Board of Supervisors

Charles Horn, First District, President
Ricky Johnson, Fifth District, Vice-President
Steve Moore, Third District

201 West Main Street
Post Office Box 776
Fulton, Mississippi 38843
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Eric “Tiny” Hughes, Fourth District
Cecil Ike Johnson, Second District
Bo Russell, Board Attorney

Jim Witt, Chancery Clerk
Gary Franks, County Administrator

MANAGEMENT’S DISCUSSION AND ANALYSIS

INTRODUCTION

The discussion and analysis of Itawamba County’s financial performance provides an overall narrative review of the County’s financial activities for the year ended September 30, 2012. The intent of this discussion and analysis is to look at the County’s performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County’s financial performance.

This discussion and analysis is an element of required supplementary information specified in the “Governmental Accounting Standards Board’s (GASB) Statement No. 34 – Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Itawamba County is located in Northeastern Mississippi approximately 166 miles northeast of Jackson, Mississippi, the state Capital. The population, according to the 2010 census, is 23,401. The local economic base is driven primarily by manufacturing.

FINANCIAL HIGHLIGHTS

Itawamba County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Itawamba County is not currently growing economically or in population. We do not anticipate steady growth in tax revenues; however, because the County is taking measures to reduce expenses, a significant increase in millage is not anticipated. This does not include school tax increases.

Total net assets decreased \$694,226, including prior period adjustments of (\$1,987,890), which represents a 3% decrease from the prior fiscal year. The County’s ending cash balance decreased by \$500,167, which represents a 10% decrease from the previous year.

The County had \$10,193,355 in total revenues. Property tax revenues account for \$4,626,033 or 45% of total revenues. Road and bridge privilege tax revenues account for \$261,910 or 3% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$1,969,355, or 19% of total revenues. Charges for services account for \$2,078,821, or 21% of total revenue. Other revenues such as interest income and miscellaneous revenues account for the remaining 12% of total revenues.

The County had \$8,899,691 in total expenses, which represents a decrease of \$655,969 or 7% from the prior fiscal year. Expenses in the amount of \$3,468,630 were offset by charges for services, grants or outside contributions. General revenues of \$6,724,725 were adequate to cover the remaining amount of expenses of \$5,431,061.

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Among major funds, the General Fund had \$4,212,104 in revenues and \$4,321,172 in expenditures. The General Fund also had net other financing uses of \$92,595 and a prior period adjustment of \$104,000. The General Fund's fund balance decreased \$97,663 from the prior year including prior period adjustments of \$104,000.

The Countywide Road Maintenance Fund had \$1,909,182 in revenues and \$1,767,143 in expenditures. The Fund also had net other financing sources of \$139,139. Fund balance increased \$281,178 from the prior year.

Capital Assets, net of accumulated depreciation, decreased by \$1,490,148. This represents a 6% decrease.

Long-term debt as of September 30, 2012 was \$7,781,802, which represents a decrease of \$1,200,083 or 13% from the prior year. Of this amount, \$1,142,315 is due in fiscal year 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the County's Annual Report

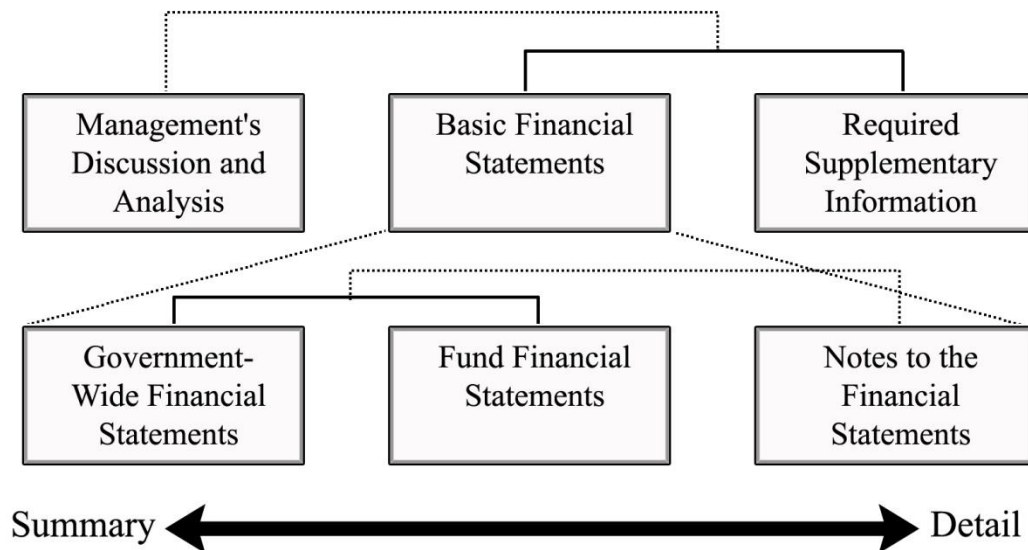


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements

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Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

	Government -Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development; and interest on long-term debt. The business-type activities of the County include the County's Solid Waste Disposal Fund.

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The Itawamba County Port Commission and the Itawamba County Economic Development District are blended with the balances and transactions of the primary government.

The County's discrete component units are not included in the financial statements.

The Government-wide Financial Statements can be found on pages 19 and 20 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 24, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 21 and 23 of this report.

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Proprietary funds—Services for which Itawamba County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The County has only one type of proprietary funds—enterprise funds. The County’s enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows are all required statements. The Proprietary Fund Financial Statements can be found on pages 26 through 28 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County’s own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County’s fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 29 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 31 through 48 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information concerning the County’s budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 51 and 52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of the government’s financial position. In the case of Itawamba County, assets exceeded liabilities by \$22,824,555 as of September 30, 2012.

By far, the largest portion of the County’s net assets (81%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

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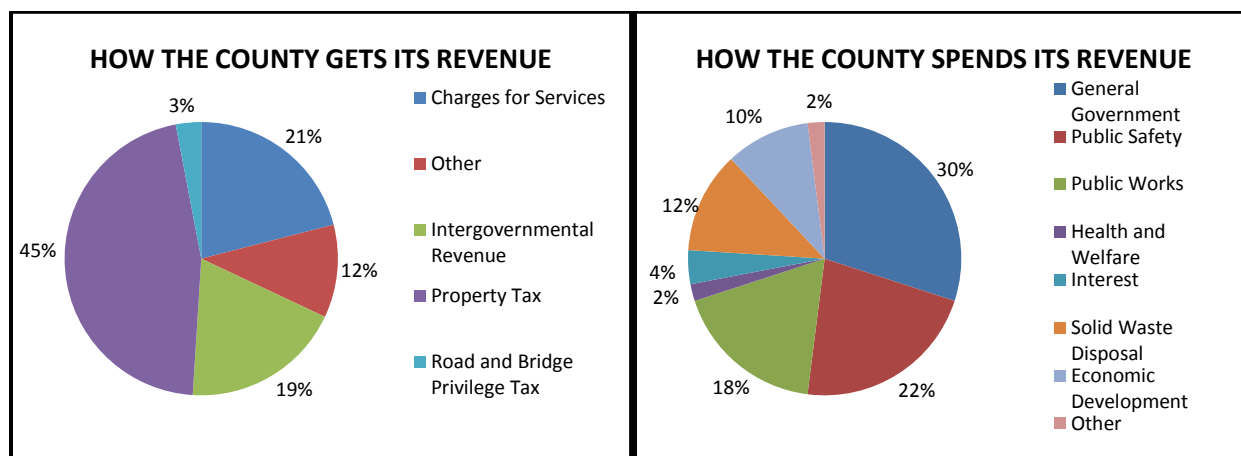
The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets at September 30, 2012 and 2011.

	Governmental Activities		
	2012	2011	Change
Current assets	\$ 10,142,895	10,318,177	-2%
Capital assets, net	25,269,479	26,714,268	-5%
Total assets	<u>35,412,374</u>	<u>37,032,445</u>	-4%
Current liabilities	5,026,550	4,859,280	3%
Long-term debt outstanding	7,684,117	8,864,916	-13%
Total liabilities	<u>12,710,667</u>	<u>13,724,196</u>	-7%
Net assets:			
Invested in capital assets, net of related debt	18,392,294	18,703,403	-2%
Restricted	2,168,899	3,328,860	-35%
Unrestricted	2,140,514	1,275,986	68%
Total net assets	<u>\$ 22,701,707</u>	<u>23,308,249</u>	-3%
	Business-type Activities		
	2012	2011	Change
Current assets	\$ 230,862	323,312	-29%
Capital assets, net	117,946	163,305	-28%
Total assets	<u>348,808</u>	<u>486,617</u>	-28%
Current liabilities	128,275	159,116	-19%
Long-term debt outstanding	97,685	116,969	-16%
Total liabilities	<u>225,960</u>	<u>276,085</u>	-18%
Net assets:			
Invested in capital assets, net of related debt	45,170	67,413	-33%
Restricted	77,678	143,119	-46%
Total net assets	<u>\$ 122,848</u>	<u>210,532</u>	-42%

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Changes in Net Assets – Itawamba County’s total revenues for the fiscal year ended September 30, 2012 were \$10,193,355. The total cost for all services provided was \$8,899,691. The decrease in net assets was \$694,226, including prior period adjustments of (\$1,987,890). The following information presents a summary of the changes in net assets for the fiscal years ended September 30, 2012 and 2011.



Governmental Activities

Revenues:

Program revenues

Charges for services	\$	1,072,498	831,375	29%
Operating grants and contributions		866,560	882,287	-2%
Capital grants and contributions		503,264	4,153,979	-88%

General revenues

Property taxes		4,626,033	4,555,382	2%
Road and bridge privilege taxes		261,910	260,828	0%
In lieu tax - Bluefire			1,148,847	-100%
Grants and contributions not restricted		579,546	563,160	3%
Interest income		35,202	80,010	-56%
Other		1,220,753	822,058	48%
Transfers		-0-	3,611	-100%
Total Revenues		9,165,766	13,301,537	-31%

Expenses:

General government		2,675,863	2,555,725	5%
Public safety		1,991,440	1,638,907	22%
Public works		1,571,157	3,159,851	-50%
Health and welfare		199,871	178,908	12%
Culture and recreation		93,631	86,128	9%
Conservation of natural resources		94,125	89,399	5%
Economic development		829,453	236,044	251%
Interest on long-term debt		333,019	438,520	-24%
Total Expense		7,788,559	8,383,482	-7%

Prior Period Adjustments

Increase (Decrease) in Net Assets	\$	(606,542)	4,422,835	-114%
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Business-type Activities	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 1,006,323	965,783	4%
Operating grants and contributions	19,985	6,929	188%
General revenues			
Interest income	676	3,248	-79%
Other	605	3,871	-84%
Total Revenues	<u>1,027,589</u>	<u>979,831</u>	5%
Expenses:			
Public works / Solid waste	1,111,132	1,172,178	-5%
Transfers	-0-	3,611	-100%
Total Expenses and Transfers	<u>1,111,132</u>	<u>1,175,789</u>	-5%
Prior Period Adjustment	<u>(4,141)</u>	<u>(72,488)</u>	
Decrease in Net Assets	\$ <u>(87,684)</u>	<u>(268,446)</u>	-67%

Governmental Activities – The following table presents the cost of eight major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture & Recreation, Conservation of Natural Resources, Economic Development and Interest on Debt.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Itawamba County's taxpayers by each of these functions.

	<u>Total Expense</u>	<u>Net (Expense) Revenue</u>
General Government	\$ 2,675,863	(2,007,737)
Public Safety	1,991,440	(1,442,917)
Public Works	1,571,157	(533,837)
Health & Welfare	199,871	(179,624)
Culture & Recreation	93,631	(93,631)
Conservation of Natural Resources	94,125	(90,375)
Economic Development	829,453	(665,097)
Interest on Debt	333,019	(333,019)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Itawamba County's governmental funds reported a combined fund balance of \$3,970,369, a decrease of \$395,456 or 9% from the previous year.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund including a prior period adjustment of \$104,000 for the fiscal year was \$97,663.

Proprietary fund – Operating Revenue from the County's Solid Waste Disposal Fund increased by 4% to \$1,006,323 and operating expenses decreased approximately 5% to \$1,108,668. Non-operating Revenues in the form of capital grants and interest income totaled \$21,266.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2012, Itawamba County's Governmental Activities total gross capital assets, excluding depreciation, were \$36,101,802. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents a decrease from the previous year of \$624,352 or 2%.

Total accumulated depreciation as of September 30, 2012 was \$10,832,323, including \$1,184,027 of depreciation expense for the year. The balance in total net capital assets was \$25,269,479 at year-end.

Additional information on Itawamba County's capital assets can be found in note 7 on page 40 of this report.

Debt Administration – At September 30, 2012, Itawamba County had \$7,781,802 in long-term debt outstanding. This includes general obligation bonds, Mississippi Business Investment Act notes, obligations under capital lease, and compensated absences. Of this debt, \$1,142,315 is due within one year.

Additional information on Itawamba County's long-term debt can be found in note 11 on page 46 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Itawamba County continues to develop and attract industrial development in the area with future plans for expansion of its industrial park and port facilities.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator's office at P.O. Box 776, Fulton, MS 38843-0776.

ITAWAMBA COUNTY

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FINANCIAL STATEMENTS

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ITAWAMBA COUNTY
Statement of Net Assets
September 30, 2012

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 4,584,414	108,159	4,692,573
Property tax receivable	3,814,059		3,814,059
Accounts receivable (net of allowance for uncollectibles of \$385,968)		105,454	105,454
Fines receivable (net of allowance for uncollectibles of \$1,418,936)	442,814		442,814
Capital leases receivable	577,862		577,862
Intergovernmental receivables	321,508	4,012	325,520
Other receivables	40,181	40,961	81,142
Operating lease receivable	127,771		127,771
Internal balances	27,724	(27,724)	
Prepaid items	167,441		167,441
Deferred charges - bond issuance costs	39,121		39,121
Capital assets:			
Land and construction in progress	5,361,144		5,361,144
Other capital assets, net	19,908,335	117,946	20,026,281
Total Assets	35,412,374	348,808	35,761,182
LIABILITIES			
Claims payable	436,830	53,214	490,044
Intergovernmental payables	522,125	2,786	524,911
Accrued interest payable	50,325	134	50,459
Deferred revenue	3,933,765		3,933,765
Unearned revenue		72,141	72,141
Amounts held in custody for others	83,505		83,505
Long-term liabilities			
Due within one year:			
Capital debt	1,041,776	23,719	1,065,495
Non-capital debt	76,820		76,820
Due in more than one year:			
Capital debt	5,835,409	49,057	5,884,466
Non-capital debt	730,112	24,909	755,021
Total Liabilities	12,710,667	225,960	12,936,627
NET ASSETS			
Invested in capital assets, net of related debt	18,392,294	45,170	18,437,464
Restricted:			
Expendable:			
General government	19,028		19,028
Public safety	605,351		605,351
Public works	1,004,766	77,678	1,082,444
Health and welfare	8,803		8,803
Economic development and assistance	396,422		396,422
Debt service	98,767		98,767
Nonexpendable	35,762		35,762
Unrestricted	2,140,514		2,140,514
Total Net Assets	\$ 22,701,707	122,848	22,824,555

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY
Statement of Activities
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,675,863	617,195	50,931		(2,007,737)		(2,007,737)
Public safety	1,991,440	326,123	152,400	70,000	(1,442,917)		(1,442,917)
Public works	1,571,157	125,430	640,482	271,408	(533,837)		(533,837)
Health and welfare	199,871		20,247		(179,624)		(179,624)
Culture and recreation	93,631				(93,631)		(93,631)
Conservation of natural resources	94,125	3,750			(90,375)		(90,375)
Economic development and assistance	829,453		2,500	161,856	(665,097)		(665,097)
Interest on long-term debt	333,019				(333,019)		(333,019)
Total Governmental Activities	<u>7,788,559</u>	<u>1,072,498</u>	<u>866,560</u>	<u>503,264</u>	<u>(5,346,237)</u>		<u>(5,346,237)</u>
Business-type activities:							
Solid waste	1,111,132	1,006,323	19,985			(84,824)	(84,824)
Total Business-type Activities	<u>1,111,132</u>	<u>1,006,323</u>	<u>19,985</u>	<u>0</u>		<u>(84,824)</u>	<u>(84,824)</u>
Total Primary Government	<u>\$ 8,899,691</u>	<u>2,078,821</u>	<u>886,545</u>	<u>503,264</u>	<u>(5,346,237)</u>	<u>(84,824)</u>	<u>(5,431,061)</u>
General revenues:							
Property taxes					\$ 4,626,033		4,626,033
Road & bridge privilege taxes					261,910		261,910
Grants and contributions not restricted to specific programs					579,546		579,546
Unrestricted interest income					35,202	676	35,878
Miscellaneous					1,220,753	605	1,221,358
Total General Revenues					<u>6,723,444</u>	<u>1,281</u>	<u>6,724,725</u>
Changes in Net Assets					<u>1,377,207</u>	<u>(83,543)</u>	<u>1,293,664</u>
Net Assets - Beginning of year, as previously reported					<u>23,308,249</u>	210,532	23,518,781
Prior period adjustments					<u>(1,983,749)</u>	<u>(4,141)</u>	<u>(1,987,890)</u>
Net Assets - Beginning of year, as restated					<u>21,324,500</u>	<u>206,391</u>	<u>21,530,891</u>
Net Assets - End of year					<u>\$ 22,701,707</u>	<u>122,848</u>	<u>22,824,555</u>

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY
Balance Sheet - Governmental Funds
September 30, 2012

Exhibit 3

	Major Funds			
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,400,418	991,204	2,192,792	4,584,414
Property tax receivable	2,021,626	584,500	1,207,933	3,814,059
Fines receivable (net of allowance for uncollectibles of \$1,418,936)	442,814			442,814
Capital lease receivable			577,862	577,862
Intergovernmental receivables	202,042	48,535	70,931	321,508
Other receivables	16,981		23,200	40,181
Operating lease receivable			127,771	127,771
Due from other funds	64,870	32,791	38,861	136,522
Advances to other funds	35,762	790	13,990	50,542
Total Assets	\$ 4,184,513	1,657,820	4,253,340	10,095,673
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 218,003	95,042	123,785	436,830
Intergovernmental payables	450,741	4,420	17,133	472,294
Due to other funds	95,509	614	48,437	144,560
Advances from other funds	14,780			14,780
Deferred revenue	2,475,269	584,500	1,913,566	4,973,335
Amounts held in custody for others	46,868		36,637	83,505
Total Liabilities	3,301,170	684,576	2,139,558	6,125,304
Fund balances:				
Nonspendable:				
Advances	35,762			35,762
Restricted for:				
General government			19,028	19,028
Public safety			605,351	605,351
Public works		973,244	31,522	1,004,766
Health and welfare			8,803	8,803
Economic development and assistance			318,482	318,482
Debt service			149,092	149,092
Committed to:				
Economic development and assistance			11,861	11,861
Assigned to:				
Health and welfare			969,643	969,643
Unassigned	847,581			847,581
Total Fund Balances	883,343	973,244	2,113,782	3,970,369
Total Liabilities and Fund Balances	\$ 4,184,513	1,657,820	4,253,340	10,095,673

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,970,369
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$10,832,323.	25,269,479
Fines receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	442,814
Intergovernmental receivable that is not available to pay for current period expenditures and, therefore, is deferred in the funds.	10,829
Operating lease receivable that is not available to pay for current period expenditures and, therefore, is deferred in the funds	77,940
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,684,117)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(50,325)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	458,156
Deferred charges - bond issuance costs	39,121
Deferred charges - prepaid insurance	<u>167,441</u>
Total Net Assets - Governmental Activities	\$ <u><u>22,701,707</u></u>

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2012

	<u>Major Funds</u>			
	General	Countywide Road	Other	Total
	Fund	Maintenance	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 2,835,893	725,855	1,064,285	4,626,033
Road and bridge privilege taxes		261,910		261,910
Licenses, commissions and other revenue	240,799		5,890	246,689
Fines and forfeitures	299,823		19,103	318,926
Intergovernmental revenues	627,204	900,444	448,226	1,975,874
Charges for services	95,705		376,866	472,571
Interest income	3,443	2,608	29,151	35,202
Miscellaneous revenues	109,237	18,365	667,572	795,174
Total Revenues	<u>4,212,104</u>	<u>1,909,182</u>	<u>2,611,093</u>	<u>8,732,379</u>
EXPENDITURES				
Current:				
General government	2,422,837		17,854	2,440,691
Public safety	1,436,440		379,330	1,815,770
Public works		1,739,293	1,149,214	2,888,507
Health and welfare	124,161		49,010	173,171
Culture and recreation	93,631			93,631
Conservation of natural resources	92,735			92,735
Economic development and assistance	118,069		535,058	653,127
Debt service:				
Principal	31,166	25,735	1,149,010	1,205,911
Interest	2,133	2,115	339,557	343,805
Total Expenditures	<u>4,321,172</u>	<u>1,767,143</u>	<u>3,619,033</u>	<u>9,707,348</u>
Excess of Revenues over (under) Expenditures	<u>(109,068)</u>	<u>142,039</u>	<u>(1,007,940)</u>	<u>(974,969)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	5,978			5,978
Proceeds from sale of capital assets		139,139	404,860	543,999
Transfers in			931,867	931,867
Transfers out	(98,573)		(833,294)	(931,867)
Lease principal payments			29,536	29,536
Total Other Financing Sources and Uses	<u>(92,595)</u>	<u>139,139</u>	<u>532,969</u>	<u>579,513</u>
Net Changes in Fund Balances	<u>(201,663)</u>	<u>281,178</u>	<u>(474,971)</u>	<u>(395,456)</u>
Fund Balances - Beginning of year, as previously reported	981,006	692,066	2,692,753	4,365,825
Prior period adjustments	104,000		(104,000)	
Fund Balances - Beginning of year, as restated	<u>1,085,006</u>	<u>692,066</u>	<u>2,588,753</u>	<u>4,365,825</u>
Fund Balances - End of year	<u>\$ 883,343</u>	<u>973,244</u>	<u>2,113,782</u>	<u>3,970,369</u>

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (395,456)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,970,114 and donated assets of \$233,960 exceeded depreciation of \$1,184,027 in the current period.	1,020,047
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$84,126 and the proceeds from the sale of \$543,999 in the current period.	(459,873)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	34,312
Under the modified accrual basis of accounting used in the Governmental Funds, only current financial resources are reported as revenues. However, in the Statement of Activities, which is presented on the accrual basis, revenues are reported when earned regardless of when the revenues are available. Thus, the change in net assets differs from the change in fund balances by the amount of the revenues that were deferred in the Governmental Funds.	7,636
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,205,911 exceeded debt proceeds of \$5,978.	1,199,933
Under the modified accrual basis of accounting used in Governmental Funds, costs associated with the issuance of bonds are reported as expenditures in the year of issuance. However, in the Statement of Activities, the costs of issuing bonds are amortized over the life of the new bond issue.	(9,780)
Under the modified accrual basis of accounting used in Governmental Funds, amounts received for bond premiums are reported as other financing sources in the year of issuance. However, in the Statement of Activities, these bond premiums are amortized over the life of the new bond issue.	7,430

ITAWAMBA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

Amount

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:

Decrease in accrued interest payable	3,356
Increase in prepaid insurance	3,116
Increase in compensated absences	(3,978)

In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.

(29,536)

Change in Net Assets of Governmental Activities

\$ 1,377,207

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2012

Exhibit 5

	Business-type Activities - Enterprise Fund	Solid Waste Disposal Fund
ASSETS		
Current assets:		
Cash	\$	108,159
Accounts receivable (net of allowance for uncollectibles of \$385,968)		105,454
Intergovernmental receivables		4,012
Other receivables		40,961
Due from other funds		25,461
Total Current Assets		<u>284,047</u>
Noncurrent assets:		
Capital assets:		
Other capital assets, net		<u>117,946</u>
Total Noncurrent Assets		<u>117,946</u>
Total Assets		<u>401,993</u>
LIABILITIES		
Current liabilities:		
Claims payable		53,214
Intergovernmental payables		2,786
Due to other funds		17,423
Advances from other funds		35,762
Accrued interest payable		134
Unearned revenue		72,141
Capital debt:		
Capital leases payable		<u>23,719</u>
Total Current Liabilities		<u>205,179</u>
Noncurrent liabilities:		
Capital debt:		
Capital leases payable		49,057
Non-capital debt:		
Compensated absences payable		<u>24,909</u>
Total Noncurrent Liabilities		<u>73,966</u>
NET ASSETS		
Invested in capital assets, net of related debt		45,170
Restricted for:		
Public works		<u>77,678</u>
Total Net Assets	\$	<u>122,848</u>

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2012

	Business - type Activities - Enterprise Fund Solid Waste Disposal Fund
Operating Revenues	
Charges for services	\$ 1,006,323
Total Operating Revenues	<u>1,006,323</u>
Operating Expenses	
Cost of sales	
Personal services	494,626
Contractual services	369,812
Materials and supplies	183,632
Depreciation expense	43,175
Indirect administrative cost	17,423
Total Operating Expenses	<u>1,108,668</u>
Operating Income (Loss)	<u>(102,345)</u>
Nonoperating Revenues (Expenses)	
Property tax	
Interest income	676
Intergovernmental grants	19,985
Other income	605
Gain (loss) on sale of capital assets	(339)
Interest expense	(2,125)
Net Nonoperating Revenue (Expenses)	<u>18,802</u>
Changes in Net Assets	<u>(83,543)</u>
Net Assets - Beginning, as previously reported	210,532
Prior period adjustment	(4,141)
Net Assets - Beginning, as restated	<u>206,391</u>
Net Assets - Ending	\$ <u><u>122,848</u></u>

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2012

Exhibit 7

	Business-type Activities - Enterprise Fund Solid Waste Disposal Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 972,658
Payments to suppliers	(581,930)
Payments to employees	(498,264)
Net Cash Provided (Used) by Operating Activities	(107,536)
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	24,461
Net Cash Provided (Used) by Noncapital Financing Activities	24,461
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	1,231
Principal paid on long-term debt	(23,116)
Interest paid on debt	(2,154)
Net Cash Provided (Used) by Capital and Related Financing Activities	(24,039)
Cash Flows From Investing Activities	
Interest on deposits	676
Net Cash Provided (Used) by Investing Activities	676
Net Increase (Decrease) in Cash and Cash Equivalents	(106,438)
Cash and Cash Equivalents at Beginning of Year	214,597
Cash and Cash Equivalents at End of Year	\$ 108,159
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (102,345)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	43,175
Provision for uncollectible accounts	548
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(35,602)
(Increase) decrease in other receivables	(2,339)
(Increase) decrease in interfund receivables	6,737
(Increase) decrease in intergovernmental receivables	(4,012)
Increase (decrease) in claims payable	(31,538)
Increase (decrease) in intergovernmental payables	(277)
Increase (decrease) in compensated absences liability	(309)
Increase (decrease) in unearned revenue	1,003
Increase (decrease) in interfund payables	17,423
Total Adjustments	(5,191)
Net Cash Provided (Used) by Operating Activities	\$ (107,536)

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2012

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 44,252
Intergovernmental receivables	7,317
Total Assets	<u>\$ 51,569</u>
LIABILITIES	
Amounts held in custody for others	\$ 1,268
Other liabilities	1,913
Intergovernmental payables	48,388
Total Liabilities	<u>\$ 51,569</u>

The notes to the financial statements are an integral part of this statement.

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Itawamba County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Itawamba County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Banner/Bounds Fire District
- Cardsville Fire District
- Dorsey-Friendship Fire District
- Evergreen-Carolina Fire District
- Greater Fulton Fire District
- Houston Fire District
- Liberty Grove Fire District
- Mantachie Fire District
- Northeast Itawamba Fire District
- Ryan's Well Fire District
- Tilden-New Salem Fire District
- Tremont Fire District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units' balances and transactions are blended with the balances and transactions of the primary government.

The Itawamba County Port Commission was created by a special act of the Mississippi Legislature in 1973, for the purpose of overseeing the operations of the Port. A five member board of commissioners is appointed by the Itawamba County Board of Supervisors.

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The Itawamba County Economic Development District is comprised solely of the five members of the five members of the Board of Supervisors. Although it is legally separate from the County, the corporation is reported as if it were part of the primary government.

C. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as other Governmental Funds.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The County's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

The County reports the following major Enterprise Fund:

Solid Waste Disposal Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds which are reported, by definition, as restricted, committed or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Itawamba County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County’s highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

Assigned fund balance includes amounts that are constrained by the County’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Chancery Clerk or County Administrator.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Prior Period Adjustments.

In 2012, the County determined that certain information used in valuation of industrial assets had been misinterpreted resulting in an overstatement of assets by \$2,005,087. This error has been corrected by a restatement of beginning balance of net assets \$1,961,163.

A summary of significant fund equity adjustments is as follows

Exhibit 2 - Statement of Activities.

Explanation	Amount
Governmental Activities:	
Correction of capital assets	\$ (2,004,963)
Correction of operating lease receivable	43,800
Correction of compensated absences	(22,586)
Total prior period adjustments	<u>(1,983,749)</u>

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Explanation	Amount
Business-type Activities:	
Correction of compensated absences	(4,141)
Total prior period adjustments	\$ (4,141)

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To correct error in interfund loans – General Fund	\$ 104,000
To correct error in interfund loans – Other Governmental Funds	(104,000)
Total prior period adjustments	\$ 0

Exhibit 6 - Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund.

Explanation	Amount
Correction of compensated absences	\$ (4,141)
Total prior period adjustment	\$ (4,141)

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$4,736,825, and the bank balance was \$4,846,327. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Solid Waste Disposal	General	\$ 24,847
Solid Waste Disposal	Countywide Road Maintenance	614
General	Solid Waste Disposal	17,423

ITAWAMBA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	47,447
Countywide Road Maintenance	General	32,791
Other Governmental Funds	General	37,871
Other Governmental Funds	Other Governmental Funds	990
Total		\$ 161,983

The receivables represent the tax revenue collected in September 2012, but not settled until October, 2012. The payable from Solid Waste Disposal Fund represents the indirect cost for the September 30, 2012 fiscal year. Other receivables are to correct posting errors and loans for operating costs. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Solid Waste Disposal	\$ 35,762
Countywide Road Maintenance	General	790
Other Governmental Funds	General	13,990
Total		\$ 50,542

The advance from General Fund to the Solid Waste Disposal Fund represents the indirect cost for the September 30, 2011, 2010 and 2009 fiscal years. All other payables are for family insurance.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General	\$ 98,573
Other Governmental Funds	Other Governmental Funds	833,294
Total		\$ 931,867

The principal purpose of interfund transfers from General Fund was for the distribution of tax levy to fire districts. All other transfers were for debt payments. All interfund transfers were routine and consistent with activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 104,697
Reimbursement for housing prisoners	1,960
Motor vehicle	19,457
Motor vehicle fuel licenses	5,814
Youth court	4,405
State aid road reimbursement	11,420
State grant for fire truck	70,000
State grant for port improvements	69,480
Road and bridge privilege	1,828

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Description	Amount
Harvest permits and overweight fines	14,710
City of Fulton	4,269
Department of Human Services – welfare	1,906
Gas severance tax	82
Timber severance tax	651
Election support	10,829
Total Governmental Activities	\$ 321,508
Business-type Activities:	
Mantachie solid waste collections	\$ 4,012
Total Business-type Activities	\$ 4,012

(6) Operating Lease Receivable

On June 14, 2010, Itawamba County entered into an operating agreement with BlueFire Fulton Renewable Energy, LLC for the lease of certain land owned by the County for the purpose of developing, constructing and operating a biofuel facility on the property. The operating lease stipulated that the lessee (BlueFire) would pay approximately \$10,292 per month in lease payments commencing July 1, 2010. During the fiscal year ending September 30, 2012, the company was deficient in its payments to the County in the amount of \$127,771. (See also Note 9, Operating leases and Note 16, Subsequent Events.)

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
Non-depreciable capital assets:					
Land	\$ 5,046,600		5,760		5,040,840
Construction in progress		320,304			320,304
Total non-depreciable capital assets	5,046,600	320,304	5,760	0	5,361,144
Depreciable capital assets:					
Infrastructure	6,976,412	910,892			7,887,304
Buildings	5,693,429		74,240		5,619,189
Improvements other than buildings	11,392,309	179,495		(2,088,632)	9,483,172
Mobile equipment	6,397,796	781,197	659,635	85,872	6,605,230
Furniture and equipment	901,005	6,208	12,559	18,378	913,032
Leased property under capital leases	318,603	5,978		(91,850)	232,731
Total depreciable capital assets	31,679,554	1,883,770	746,434	(2,076,232)	30,740,658
Less accumulated depreciation for:					
Infrastructure	770,731	179,273			950,004
Buildings	2,274,374	113,868	10,394		2,377,848
Improvements other than buildings	1,533,247	379,327		(83,545)	1,829,029
Mobile equipment	4,773,857	394,053	270,624	53,812	4,951,098
Furniture and equipment	493,351	75,614	11,303	12,276	569,938

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
Leased property under capital leases	166,326	41,892		(53,812)	154,406
Total accumulated depreciation	10,011,886	1,184,027	292,321	(71,269)	10,832,323
Total depreciable capital assets, net	21,667,668	699,743	454,113	(2,004,963)	19,908,335
Governmental activities capital assets, net	\$ 26,714,268	1,020,047	459,873	(2,004,963)	25,269,479
Business-type activities:					
	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 615,251		21,839		593,412
Leased property under capital leases	118,420				118,420
Total depreciable capital assets	733,671	0	21,839	0	711,832
<u>Less accumulated depreciation for:</u>					
Mobile equipment	527,736	21,859	19,655		529,940
Leased property under capital leases	42,630	21,316			63,946
Total accumulated depreciation	570,366	43,175	19,655	0	593,886
Total depreciable capital assets, net	163,305	(43,175)	2,184	0	117,946
Business-type activities capital assets, net	\$ 163,305	(43,175)	2,184	0	117,946

*Significant adjustments are as follows:

- Certain leased property under capital leases were paid off and reclassified.
- Certain property acquired for election support in a prior year was erroneously omitted from capital assets.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 164,777
Public safety	176,076
Public works	638,757
Health and welfare	26,700
Conservation of natural resources	1,390
Economic development	176,327
Total governmental activities depreciation expense	\$ 1,184,027

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

	Amount
Business-type activities:	
Solid waste	\$ 43,175
Total business-type activities depreciation expense	\$ 43,175

Commitments with respect to unfinished capital projects at September 30, 2012, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
LSBP-29(28)	\$ 39,372	12/2013
Port hard pack project	18,811	12/2012

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessor:

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$327,097 for the year ended September 30, 2012.

On August 1, 2010, Itawamba County entered into an operating lease with Community Living Centers, LLC for the lease of certain property to be used for a nursing home for the purpose of safeguarding community health interest and enhance and promote the public health and general welfare of its citizens. The operating lease stipulated that the lessee (Community Living Centers, LLC) would pay approximately \$21,630 per month in lease payments commencing August 20, 2010. The term of the primary sublease began on the closing date, August 1, 2010, and ends August 1, 2015. Community Living Centers have an option to renew the lease for two five year terms. The base rental payment will increase to \$22,712 and \$23,848 per month for the two additional five year terms if the renewal options are taken.

On June 14, 2010, Itawamba County entered into an operating agreement with BlueFire Fulton Renewable Energy, LLC for the lease of certain land owned by the County for the purpose of developing, constructing and operating a biofuel facility on the property. The operating lease stipulated that the lessee (BlueFire) would pay approximately \$10,292 per month in lease payments commencing July 1, 2010 for an interim term and then a thirty year primary term. At the end of the primary 30 year lease term, BlueFire has the right to renew for two additional 30 year terms. The current lease rate is computed based on a per acre rate per month. The lease stipulates the lease rate is to be reduced at the time of the construction start by a property cost reduction formula. The lease rate is to be adjusted every five years to the consumer price index. The following schedule does not contemplate reductions available upon the commencement of construction and commencement of operations.

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

During the fiscal year ending September 30, 2012, the Company was deficient in its payments to the County in the amount of \$127,771. (Also see Note 6, Operating Lease Receivable and Note 16 Subsequent Events.)

The Future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>BlueFire Fulton Renewable Entergy</u>	<u>Community Living Centers</u>	<u>Total Amount</u>
2013	\$ 123,504	259,560	383,064
2014	123,504	259,560	383,064
2015	123,504	216,300	339,804
2016	123,504		123,504
2017	123,504		123,504
2018-2022	617,520		617,520
2023-2027	617,520		617,520
2028-2032	617,520		617,520
2033-2037	617,520		617,520
2038-2042	617,520		617,520
Total Minimum Payments Required	\$ <u>3,705,120</u>	<u>735,420</u>	<u>4,440,540</u>

As Lessee:

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$16,221 for the year ended September 30, 2012. The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2013	\$ 16,221
2014	16,221
Total Minimum Payments Required	\$ <u>32,442</u>

(10) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2012:

<u>Classes of Property</u>	<u>Amount</u>
Buildings	\$ 390,500
Land	49,500
Improvements other than buildings	110,000
Total	\$ <u>550,000</u>

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2012, are as follows:

Year Ended September 30	Principal	Interest
2013	\$ 30,810	18,010
2014	32,082	16,737
2015	33,409	15,411
2016	34,749	14,070
2017	36,224	12,595
2018 – 2022	204,823	39,272
2023 – 2027	86,059	3,611
Total	\$ 458,156	119,706

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 224,957	118,420
Furniture and equipment	7,774	
Total	232,731	118,420
Less: Accumulated depreciation	154,406	63,946
Leased Property Under Capital Leases	\$ 78,325	54,474

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 48,849	2,799	23,719	1,551
2014	34,407	915	24,338	931
2015	7,894	87	24,719	296
Total	\$ 91,150	3,801	72,776	2,778

(11) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2007 industrial development bonds	\$ 2,355,000	5.00/7.125%	04/2022
2009 industrial development bonds	2,280,000	4.25/6.00%	08/2019
2011 general obligation refunding bonds	1,395,000	2.00%	04/2016
Total General Obligation Bonds	\$ 6,030,000		

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
2009 Ford Escape – Tax Assessor	\$ 4,401	3.19%	01/2014
2009 Ford Crown Victoria	10,819	3.16%	10/2014
2009 International 4300 dump truck	14,164	3.47%	10/2013
2010 International 4300 dump truck	26,702	4.09%	08/2014
2010 Ford F150	18,473	2.87%	07/2015
2010 Ford Crown Victoria	12,610	3.10%	01/2015
Weatherall copier	3,981	15.27%	07/2014
Total Capital Leases	\$ 91,150		
C. Other Loans:			
Port Development (Project 2)	\$ 476,992	0.25%	10/2019
Port Dredging	48,418	3.00%	08/2015
Port Commission	159,078	4.75%	07/2017
Peopleloungers – TVA loan	33,235	2.25%	05/2013
Pelopleoungers	216,088	3.00%	05/2018
Tombigbee Tooling	457,932	4.00%	06/2024
Total Other Loans	\$ 1,391,743		

Business-type Activities:

Capital Leases:			
Garbage truck	\$ 72,776	2.58%	08/2015
Total General Obligation Bonds	\$ 72,776		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2013	\$ 850,000	266,274	212,317	34,878
2014	890,000	228,746	183,343	29,093
2015	935,000	189,653	188,176	27,459
2016	725,000	157,160	175,831	19,868
2017	575,000	128,087	172,237	15,181
2018 – 2022	2,055,000	253,525	373,780	36,661
2023 – 2027			86,059	3,610
Total	\$ 6,030,000	1,223,445	1,391,743	166,750

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2012, the amount of outstanding debt was equal to 4.85% of the latest property assessments.

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments*	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 114,940	5,698	1,720	22,586	141,504	
General obligation bonds	6,865,000		835,000		6,030,000	850,000
Add:						
Premiums	37,150		7,430		29,720	7,430
Capital leases	147,018	5,978	61,846		91,150	48,849
Other loans	1,700,808		309,065		1,391,743	212,317
Total	\$ 8,864,916	11,676	1,215,061	22,586	7,684,117	1,118,596
Business-type Activities:						
Compensated absences	\$ 21,077		309	4,141	24,909	
Capital leases	95,892		23,116		72,776	23,719
Total	\$ 116,969	0	23,425	4,141	97,685	23,719

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, County Reappraisal 1 mill Fund, Itawamba County E911 Fund, Port Fund, Homeland Security Fund, DARE Fund, Countywide Road Maintenance Fund, Solid Waste Enforcement Fund, and Solid Waste Disposal Fund.

* Adjustment is to correct prior year error in compensated absence liabilities.

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2012:

Fund	Deficit Amount
Evergreen-Carolina Fire District	\$ 26
Townhouse Construction Fund	5,321
Port Fund	12,419
Road & Bridge Emergency 1009 4 th	24
GO Refunding Bonds 2011	24,114

(13) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Solid Waste Revenue Refunding Bonds – In 1998, Solid Waste Revenue Refunding Bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. In 2011, Three Rivers Solid Waste Management Authority issued \$4,235,000 of Solid Waste Revenue Bonds to refund the 1998 bonds and to finance other landfill projects. As part of the solid waste disposal service agreement between Itawamba County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share (6.71%) of the \$4,235,000 refunding bonds balance at September 30, 2012, is \$284,169.

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the Cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Itawamba County Board of Supervisors appoints one of the fourteen members of the Authority's board. The County did not appropriate any funds for the support of the Authority in Fiscal Year 2012.

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints five of the forty members of the District Board of Directors. The County appropriated \$20,559 for the maintenance and support of the District in Fiscal Year 2012.

Itawamba Community College operates in a district composed of the Counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The Itawamba County Board of Supervisors appoints six of the thirty members of the College Board of Trustees. The County appropriated \$858,450 for the maintenance and support of the College in Fiscal Year 2012.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Itawamba County Board of Supervisors appoints one of the seven members of the Board of Commissioners. The County appropriated \$16,787 for maintenance and support of the Commission in Fiscal Year 2012.

Lift, Inc. operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints two of the twenty-four members of the board of directors. The County appropriated \$2,500 for the support of the organization in Fiscal Year 2012.

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Itawamba County Board of Supervisors appoints four of the thirty-six members of the board of directors. The County appropriated \$17,083 for support of the district in Fiscal Year 2012.

(15) Defined Benefit Pension Plan.

Plan Description. Itawamba County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

ITAWAMBA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$380,844, \$358,302 and \$350,858, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Itawamba County evaluated the activity of the County through November 7, 2014 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Debt Issuances.

Subsequent to September 30, 2012, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
02/01/2013	2.27%	\$ 85,313	Capital lease	Ad valorem taxes
04/30/2013	1.25-3.00%	2,130,000	G.O. refunding bond	Ad valorem taxes
05/01/2014	1.625-2.25%	5,000,000	G.O bond	Ad valorem taxes
05/05/2014	1.87%	404,435	Capital lease	Ad valorem taxes
06/24/2014	1.10-2.25%	1,825,000	G.O. refunding bond	Ad valorem taxes
08/12/2014	2.10%	30,500	Capital lease	Ad valorem taxes
09/02/2014	1.87%	155,718	Capital lease	Ad valorem taxes

Blue Fire Fulton Renewable Energy, LLC Lease.

Subsequent to the fiscal year ending September 30, 2012, BlueFire Fulton Renewable Energy, LLC made payments to the County for the amount of lease payments in arrears related to the fiscal year ending September 30, 2012. The Company has notified the County that on December 23, 2013, funding it initially expected to receive from the U.S. Department of Energy to help in financing the construction of the bio fuel facility has been discontinued. As such, while it is the intent of BlueFire Fulton Renewable Energy, LLC to continue to seek funding from other sources, current progress on the construction of the facility by the company has been discontinued. The County is currently exploring other options for use of the property should BlueFire Fulton Renewable Energy, LLC be determined to be in default of the agreement and not able to complete construction of the facility. To date approximately \$3.7 million in improvements have been made to the proposed site in anticipation of construction of the biofuel facility.

ITAWAMBA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

ITAWAMBA COUNTY

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ITAWAMBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,799,135	2,892,135	2,891,705	(430)
Licenses, commissions and other revenue	258,450	268,450	266,464	(1,986)
Fines and forfeitures	291,000	296,000	293,906	(2,094)
Intergovernmental revenues	874,000	875,400	826,877	(48,523)
Charges for services	47,100	64,100	88,869	24,769
Interest income	16,800	17,100	3,476	(13,624)
Miscellaneous revenues	162,500	264,000	265,483	1,483
Total Revenues	<u>4,448,985</u>	<u>4,677,185</u>	<u>4,636,780</u>	<u>(40,405)</u>
EXPENDITURES				
Current:				
General government	2,918,911	2,910,817	2,462,496	448,321
Public safety	1,411,207	1,431,657	1,112,792	318,865
Health and welfare	91,681	126,266	93,549	32,717
Culture and recreation	93,500	93,670	780	92,890
Conservation of natural resources	91,017	96,017	53,704	42,313
Economic development and assistance	138,855	138,855	118,069	20,786
Debt service:				
Principal	53,921	43,899	31,494	12,405
Interest	20,000	2,975	2,252	723
Total Expenditures	<u>4,819,092</u>	<u>4,844,156</u>	<u>3,875,136</u>	<u>969,020</u>
Excess of Revenues over (under) Expenditures	<u>(370,107)</u>	<u>(166,971)</u>	<u>761,644</u>	<u>928,615</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		34,000	34,000	
Transfers out	<u>(98,278)</u>	<u>(146,278)</u>	<u>(145,573)</u>	<u>705</u>
Total Other Financing Sources and Uses	<u>(98,278)</u>	<u>(146,278)</u>	<u>(145,573)</u>	<u>705</u>
Net Change in Fund Balance	(468,385)	(313,249)	616,071	929,320
Fund Balances - Beginning	<u>1,296,349</u>	<u>1,156,249</u>	<u>1,156,693</u>	<u>444</u>
Fund Balances - Ending	<u>\$ 827,964</u>	<u>843,000</u>	<u>1,772,764</u>	<u>929,764</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

ITAWAMBA COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Countywide Road Maintenance Fund
For the Year Ended September 30, 2012
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$	785,000	728,216	(56,784)
Road and bridge privilege taxes	210,000	308,000	263,906	(44,094)
Intergovernmental revenues	408,600	633,600	665,743	32,143
Interest income	25,000	25,000	2,608	(22,392)
Miscellaneous revenues	57,000	89,000	87,429	(1,571)
Total Revenues	<u>700,600</u>	<u>1,840,600</u>	<u>1,747,902</u>	<u>(92,698)</u>
EXPENDITURES				
Current:				
Public works	1,395,529	1,448,529	1,393,626	54,903
Debt service:				
Principal	75,000	71,000	25,735	45,265
Interest	25,000	25,000	2,115	22,885
Total Expenditures	<u>1,495,529</u>	<u>1,544,529</u>	<u>1,421,476</u>	<u>123,053</u>
Excess of Revenues over (under) Expenditures	<u>(794,929)</u>	<u>296,071</u>	<u>326,426</u>	<u>30,355</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		5,000	4,602	(398)
Transfers out		(2,900)	(2,842)	58
Total Other Financing Sources and Uses	<u>0</u>	<u>2,100</u>	<u>1,760</u>	<u>(340)</u>
Net Change in Fund Balance	(794,929)	298,171	328,186	30,015
Fund Balances - Beginning	<u>684,726</u>	<u>504,726</u>	<u>663,017</u>	<u>158,291</u>
Fund Balances - Ending	<u>\$ (110,203)</u>	<u>802,897</u>	<u>991,203</u>	<u>188,306</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

ITAWAMBA COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2012

UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor and the Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Countywide Road Fund
Budget (Cash Basis)	\$ 616,071	328,186
Increase (Decrease)		
Net adjustments for revenue accruals	(337,300)	(33,913)
Net adjustments for expenditure accruals	(480,434)	(13,095)
GAAP Basis	\$ <u>(201,663)</u>	<u>281,178</u>

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

OTHER INFORMATION

ITAWAMBA COUNTY

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ITAWAMBA COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Charles Horn	Supervisor District 1	FCCI Insurance Group	\$100,000
Cecil "Ike" Johnson, Jr.	Supervisor District 2	FCCI Insurance Group	\$100,000
Steve Moore	Supervisor District 3	State Farm Fire & Casualty Company	\$100,000
Eric "Tiny" Hughes	Supervisor District 4	Travelers Casualty and Surety Company of America	\$100,000
Ricky Johnson	Supervisor District 5	Western Surety Company	\$100,000
Gary Franks	County Administrator	Travelers Casualty and Surety Company of America	\$100,000
James E. Witt, Jr.	Chancery Clerk	Western Surety Company	\$100,000
Glenda Gray	Purchase Clerk	State Farm Fire & Casualty Company	\$75,000
Gwyndola Umfress	Assistant Purchase Clerk	Western Surety Company	\$50,000
Linda P. Byrd	Receiving Clerk	Travelers Casualty and Surety Company of America	\$75,000
Marvin Duvall	Assistant Receiving Clerk	Universal Surety of America	\$50,000
Michael Lentz	Assistant Receiving Clerk	Travelers Casualty and Surety Company of America	\$50,000
Joseph Farley	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Herman Kent	Assistant Receiving Clerk	Western Surety Company	\$50,000
Riley Farris	Assistant Receiving Clerk	FCCI Insurance Group	\$50,000
Janice Smith	Inventory Control Clerk	Travelers Casualty and Surety Company of America	\$75,000
Kermet W. Newell	Road Manager	Travelers Casualty and Surety Company of America	\$50,000
Doug Lesley	Constable	Travelers Casualty and Surety Company of America	\$50,000
Reggie Johnson	Constable	Travelers Casualty and Surety Company of America	\$50,000
Carol Gates	Circuit Clerk	FCCI Insurance Group	\$100,000
Paula Miller	Deputy Circuit Clerk	Travelers Casualty and Surety Company of America	\$50,000
Annie Bea Lesley Baker	Deputy Circuit Clerk	Travelers Casualty and Surety Company of America	\$50,000
Christopher Dickinson	Sheriff	FCCI Insurance Group	\$100,000
Harold Holcomb	Justice Court Judge	Travelers Casualty and Surety Company of America	\$50,000
Barry Davis	Justice Court Judge	Travelers Casualty and Surety Company of America	\$50,000
Sheila Spradling	Justice Court Clerk	Travelers Casualty and Surety Company of America	\$50,000
Anita Holland	Deputy Justice Court Clerk	Travelers Casualty and Surety Company of America	\$50,000
Rhonda Johnson	Deputy Justice Court Clerk	Travelers Casualty and Surety Company of America	\$50,000
Aaron Loden	Tax Collector	FCCI Insurance Group	\$100,000
Debbie Johnson	Deputy Tax Collector	Travelers Casualty and Surety Company of America	\$50,000
Kathy Bean	Deputy Tax Collector	Travelers Casualty and Surety Company of America	\$50,000
Jane Flurry	Deputy Tax Collector	Travelers Casualty and Surety Company of America	\$50,000
Carrie K. Fortune	Deputy Tax Collector	Western Surety Company	\$10,000
Tami Beane	Tax Assessor	FCCI Insurance Group	\$50,000
Sandy Parker	Deputy Tax Assessor	FCCI Insurance Group	\$10,000
Nancy Standford	Deputy Tax Assessor	FCCI Insurance Group	\$10,000

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

SPECIAL REPORTS

ITAWAMBA COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Itawamba County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Itawamba County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 7, 2014. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. Additionally, our report includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the valuation of the Justice Court fines receivable, net, and a restatement of previously issued financial statements. Except for the limitations related to the qualified opinion on the General Fund, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Itawamba County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 12-1, 12-2, 12-3, 12-4, 12-5, 12-7, 12-8, 12-9, 12-10, 12-11 and 12-12 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 12-6 and 12-13 to be significant deficiencies.

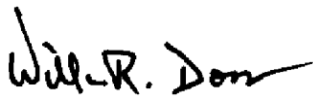
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Itawamba County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that were required to be reported under *Government Auditing Standards*

We noted certain matters that we reported to the management of Itawamba County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated November 7, 2014, included within this document.

Itawamba County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Itawamba County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 7, 2014



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Itawamba County, Mississippi

We have examined Itawamba County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Itawamba County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Itawamba County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance was considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Interest rate on lease purchase agreements should not exceed maximum rate.

Finding

Section 31-7-13(e), Miss. Code Ann. (1972), states that no lease purchase agreement shall be for an annual rate of interest which is greater than the overall maximum interest rate to maturity on general obligation indebtedness permitted under Section 75-17-101. The maximum interest rate is 11% per annum. As reported in the prior year's audit report, the County purchased a copy machine under a lease-purchase agreement with an interest rate of 15.273%.

Recommendation

The Board of Supervisors should ensure that lease-purchase financing does not exceed the maximum interest rate of 11% allowed under Section 75-17-101.

Board of Supervisors' Response

We will comply.

Board of Supervisors and Inventory Control Clerk.

2. Capital assets should be recorded at the correct value.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. This system should include recording all additions and deletions of capital assets in the system. Audit procedures indicated that capital assets were overstated by \$2,005,087 due to an error in recording the valuation in accordance with the stipulation in an interlocal agreement between the county and city that prorated the ownership of certain industrial assets. These industrial assets were recorded in the County's capital asset records at full cost instead of just the County's portion. Failure to record the proper valuation of these assets resulted in the County's financial statements being materially misstated.

Recommendation

The inventory Control Clerk and Board of Supervisors should ensure all assets are added to the county inventory at the proper values.

Board of Supervisors' and Inventory Control Clerk's Response

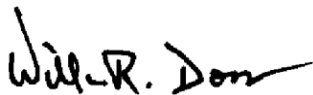
We will review and correct in the future.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Itawamba County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Itawamba County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Itawamba County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 7, 2014

ITAWAMBA COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

<u>Date</u>	<u>Item Purchased</u>		<u>Bid Accepted</u>	<u>Vendor</u>		<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
1/3/2012	Crushed limestone #7	\$	10.50/ton	Limestone Red Bay	\$	9.50/ton	Due to mileage
1/3/2012	Crushed limestone #56		9.60/ton	Hoover		9.50/ton	Due to mileage
1/3/2012	Crushed limestone #89		10.85/ton	Hoover		9.50/ton	Due to mileage
1/3/2012	Crushed limestone		10.35/ton	Hoover		9.50/ton	Due to mileage

ITAWAMBA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

Our test results did not identify any emergency purchases.

ITAWAMBA COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.

ITAWAMBA COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Itawamba County, Mississippi

In planning and performing our audit of the financial statements of Itawamba County, Mississippi (the County) for the year ended September 30, 2012, we considered Itawamba County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Itawamba County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated November 7, 2014, on the financial statements of Itawamba County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The County levied insufficient debt tax levies.

Finding

Section 19-9-9, Miss. Code Ann. (1972), states the Board of Supervisors shall annually levy a special tax upon all of the taxable property within the County, which tax shall be sufficient to provide for the payment of the principal of and the interest on such bonds according to the terms thereof. As reported in the prior year's audit report, some tax levies were not sufficient to provide for the payment of principal and interest on some bonds. Insufficient tax levies could result in the County's inability to pay principal and interest on the debt.

Recommendation

The County should levy taxes sufficient for the payment of principal and interest on bonds, as required by law.

Board of Supervisors' Response

Sufficient tax levies will be made in the future.

2. The County had unapproved interfund transfers and loans.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors. As reported in the prior year's audit report, interfund transfers and loans were made without board orders spread upon the minutes. Failure to obtain board approval for interfund transfers and loans increases the possibility of the loss of misuse of public funds.

Recommendation

The Board of Supervisors should spread on its minutes orders relative to interfund transfers and loans.

Board of Supervisors' Response

This has been corrected and is placed in minutes monthly.

Chancery Clerk.

3. Controls over accounting for Chancery Clerk's fees should be strengthened.

Finding

An effective system of internal controls over Chancery Clerk fees should include the timely deposit of fees collected and the reconciliation of the cash balance in the Chancery Clerk's fee journal to the bank balance. As reported in the prior year's audit report, we noted that deposits of Chancery Clerk's fees were not made timely and the cash balance in the Chancery Clerk's fee journal did not agree with the reconciled bank balance. The failure to make timely deposits and to reconcile the Chancery Clerk's cash balances to the bank balance could result in a loss of public funds.

Recommendation

The Chancery Clerk should ensure that deposits are made timely and that the reconciled bank balance agrees with the cash balance of the fee journal.

Chancery Clerk's Response

This is being corrected.

4. The Chancery Clerk should deposit land redemption funds in an approved County depository.

Finding

Section 27-105-371, Miss. Code Ann. (1972), requires all County officials who receive funds under the authority of their office to deposit such funds into a County depository. We noted that the Chancery Clerk was not using the County depository to deposit land redemption funds. Failure to deposit funds in the County depository could result in the loss of public funds, and results in the County not being in compliance with State Law.

Recommendation

The Chancery Clerk should ensure that all funds received by his office are deposited into the County depository as required by law.

Chancery Clerk's Response

This has been corrected.

County Administrator.

5. County signed warrants without sufficient money.

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in the prior year's audit report, warrants were issued on funds that did not have sufficient money to pay the warrants. At various times during the year, the following funds had negative cash balances:

- (a). Evergreen-Carolina Fire District Fund
- (b). Townhouse Construction Fund
- (c). Port Fund
- (d). Road and Bridge Emergency 1009 4th Fund
- (e). G.O. Road and Bridge Bonds 2011

Failure to have sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

Recommendation

The County Administrator should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

County Administrator's Response

This has been corrected.

Sheriff.

6. The Sheriff should deposit money in an approved County depository.

Finding

Section 27-105-371, Miss. Code Ann. (1972), requires all County officials who receive funds under the authority of their office to deposit such funds into a County depository. As reported in the prior year's audit report, we noted that the Sheriff was not using the County depository to deposit funds. Failure to deposit funds in the County depository could result in the loss of public funds.

Recommendation

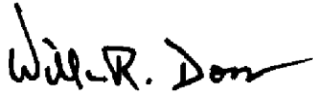
The Sheriff should ensure that all funds received by his office are deposited into the County depository as required by law.

Sheriff's Response

The Sheriff Department has moved all accounts to the County depository.

Itawamba County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 7, 2014

ITAWAMBA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Business-type activities	Unqualified
Aggregate discretely presented component units	Adverse
General Fund	Qualified
Countywide Road Maintenance Fund	Unqualified
Aggregate remaining fund information	Unqualified
Solid Waste Disposal Fund	Unqualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 12-1. Financial data for component units should be included in the County's financial statements.

Finding

Generally accepted accounting principles require the financial data for the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior year's audit report, the County's financial statements do not include the financial data for the County's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component units for inclusion in the County's financial statements.

Board of Supervisors' Response

We are reviewing these reporting requirements.

ITAWAMBA COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Material Weakness

12-2. Controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement presentation and reporting in accordance with generally accepted accounting principles should include all disclosures in the notes to the financial statements, proper classification of revenues and expenditures, inclusion of all assets, liabilities, revenues and expenditures of the county and proper posting of transactions. We noted the following deficiencies in the financial statement preparation and reporting.

- a. Interfund loans from the General Fund to various other funds in the amount of \$151,000 were erroneously classified as transfers.
- b. Construction in progress was understated by the amount of \$320,304 due to a project in the amount of \$121,115 being omitted and a project in the amount of \$199,198 being erroneously classified as a completed project.
- c. A \$500,000 payment to the planning and development district for economic development was erroneously classified as a health and welfare expenditure.

Audit adjustments to correct these deficiencies were proposed to management and made to the financial statements with management's approval.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes presentation of the required note disclosures, proper classifications of revenues and expenditures, inclusion of all assets, liabilities, revenues and expenditures in the financial statements and the proper posting of transactions.

Board of Supervisors' Response

We will implement.

Material Weakness

12-3. Segregation of duties over county accounting functions should be strengthened.

Finding

An effective system of internal control over accounting functions should include an adequate segregation of duties. As reported in the prior year's audit report, based on test work performed, there is a lack of segregation of duties in the expenditures/expense and accounts payable processes for the County. The County bookkeeper has the authority to receive collections, prepare deposits, and make deposits as well as invoice processing, accounts payable, and the general ledger functions. The bookkeeper also prepares disbursements, records the cash disbursements and general ledger entries, prepares the disbursements for mailing and reconciles the bank statement. Failure to implement adequate segregation of duties over accounting functions could result in the loss of public funds.

Recommendation

The Board of Supervisors should take steps to ensure adequate segregation of duties in the expenditure/expenses and accounts payable functions are implemented or take steps to see that a system of external oversight for the operating procedures of those functions is implemented.

ITAWAMBA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Board of Supervisors' Response

We will implement based on available personnel.

Board of Supervisors and Inventory Clerk.

Material Weakness

12-4 Internal controls over capital asset valuations should be strengthened.

Finding

An effective system of internal control over capital assets should include the proper valuation of assets. Audit procedures indicated that capital assets were overstated by \$2,005,087 due to an error in recording the valuation of certain industrial assets. This error was due to not recording these industrial assets valuation in accordance with a stipulation in an interlocal agreement between the county and the city that prorated the ownership of certain industrial assets. These industrial assets were recorded in the County's capital asset records at full cost instead of just the County's portion. Failure to record the proper valuation of these assets resulted in the County's financial statements being materially misstated.

Recommendation

The Board of Supervisors and Inventory Control Clerk should implement a system of internal control over the recording of capital assets are recorded at the proper values.

Board of Supervisors' and Inventory Control Clerk's Response

We have implemented a system to correct.

Chancery Clerk

Material Weakness

12-5. Internal controls over land redemption collections and settlements should be strengthened.

Finding

An effective system of internal controls over land redemption collections and settlements should include the use of pre-numbered duplicate releases, the timely deposit of collections, monthly settlements of all collections that detail releases included in settlement and reconciling land redemption cash balance to bank statement. As reported in the prior year's audit report, during our audit of land redemption, we noted the following deficiencies:

- a. Pre-numbered releases were not used for all collections. A photo copy of one release was used repeatedly for collections. This photo copied release did not include the date of collection. As of October 17, 2012, the last release completed in the pre-numbered release book was dated August 2011.
- b. No settlement checks were written from May 22, 2012 through August 30, 2012. During the audited fiscal year, no settlement checks were made to the county for the 5% damages on amount of taxes for which land was sold.
- c. As of October 2012, reconciliations of bank statements were only completed through October 2011. Per the County's October 2011 bank reconciliation, the land redemption account had a negative reconciled balance of \$18,479
- d. A reconciliation conducted on October 17, 2012, revealed a significant cash shortage in the land redemption funds.

ITAWAMBA COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Failure to implement controls over land redemption collections and settlements could lead to a loss of public funds.

Recommendation

The Chancery Clerk should ensure that controls are in place over land redemption collections and settlements in order to maintain accountability and safeguard these funds.

Chancery Clerk's Response

This has been corrected.

Auditor's Note

On June 23, 2014, Itawamba County Chancery Clerk Jim Witt was served with a demand in the amount of \$503,246.43 by the Investigative Division of the Office of the State Auditor. From August 2007 through December 2014, the Itawamba County Chancery Clerk's office failed to settle funds collected for the redemption of delinquent taxes in a timely manner as required by law.

Chancery Clerk.

Significant Deficiency

12-6. Internal controls over Chancery Clerk reimbursing deputies salaries should be strengthened.

Finding

An effective system of internal controls over payroll should include the timely reimbursement of County funds for Chancery Clerk employee payroll costs. The Chancery Clerk employed deputies whose payroll is processed with the County payroll. As reported in the prior year's audit report, the Chancery Clerk has been reimbursing the county for his deputies' salaries after the actual payroll date, instead of paying in advance. Failure to reimburse the County for the Chancery Clerk's employee payroll in advance results in an unauthorized loan to the Chancery Clerk.

Recommendation

The Chancery Clerk should pay deputies' salaries, including benefits, to the county in advance of the payroll period.

Chancery Clerk's Response

This is being corrected.

Material Weakness

12-7. Segregation of duties over land redemption should be strengthened.

Finding

An effective system of internal controls over land redemption collections and disbursements should include an adequate segregation of duties in the collection, deposit, recording, settlement and reconciling functions. We noted that there was not an adequate segregation of duties in the collection, deposit, recording, settlement and reconciling functions over land redemption collections. The deputy chancery clerk was performing duties including collecting monies, making deposits, recording receipts, writing checks, and reconciling the bank account. Failure to implement an adequate segregation of duties could result in the loss of public funds.

ITAWAMBA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Recommendation

The Chancery Clerk should ensure that there is an adequate segregation of duties in the collection, disbursement, and reconciling functions of land redemption fees.

Chancery Clerk's Response

This has been corrected.

County Administrator.

Material Weakness

- 12-8. Internal Controls over reconciling the payroll clearing account should be strengthened.

Finding

An effective system of internal controls should include reconciling the payroll clearing account on a monthly basis and explaining any differences noted in the reconciliation. As reported in the prior year's audit report, we noted the payroll clearing account has an unreconciled difference with no explanation for the unreconciled difference. Failure to explain the unreconciled difference in the payroll clearing account each month could result in the loss of public funds.

Recommendation

The County Administrator should ensure that differences noted in the payroll clearing account reconciliation are explained and documented.

County Administrator's Response

I will comply.

Circuit Clerk.

Material Weakness

- 12-9. Segregation of duties in the Circuit Clerk's office should be strengthened.

Finding

An effective system of internal controls should include an adequate segregation of duties. Cash collection and disbursement functions are not adequately segregated for effective internal controls. The Circuit Clerk receipts collections, makes deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to implement adequate segregation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should take steps to ensure adequate segregation of duties in the collection and disbursement functions of the Circuit Clerk's office are implemented or take steps to see that a system of external oversight over operating procedures of the Circuit Clerk's office is implemented.

Circuit Clerk's Response

I will comply.

ITAWAMBA COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Justice Court.

Material Weakness

12-10. Segregation of duties in Justice Court Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. As reported in the prior year's audit report, cash collection and disbursement functions in the Justice Court office are not adequately segregated for effective internal controls. The Justice Court Clerk has access to collections, prepares bank deposits, prepares daily check-up sheets, makes monthly settlements, writes and signs all checks for disbursements and reconciles the bank statements. Failure to implement adequate segregation of duties could result in the loss of public funds.

Recommendation

The Justice Court Clerk should take steps to ensure adequate segregation of duties in the collection and disbursement functions of the Justice Court office are implemented or take steps to see that a system of external oversight over operating procedures of the Justice Court office is implemented.

Justice Court Clerk's Response

I will comply.

Material Weakness

12-11. Controls over fines receivable in the Justice Court offices should be strengthened.

Finding

An effective system of internal control over Justice Court fines receivable should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance and should ensure that fines receivable are properly aged in order to estimate the collectability of these fines receivable and includes only fines due the county. As reported in the prior year's audit report, based on audit procedures performed, management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable at September 30, 2012. Our test also indicated the fines receivable balance included restitution and court costs. Failure to establish control procedures over aging of Justice Court fines receivable could result in erroneous amounts being reported in the financial statements. Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

Recommendation

The Justice Court Clerk should ensure that control procedures are in place to allow for the preparation and preservation of a detailed aged fines receivable schedule for fines receivable to properly report the fines receivable due to the county at net realization value in the financial statements.

Justice Court Clerk's Response

I will comply.

ITAWAMBA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Tax Collector.

Material Weakness

12-12. Segregation of duties in Tax Collector's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. Cash collection and disbursement functions in the Tax Collector's office are not adequately segregated for effective internal controls. The bookkeeper has access to collections, prepares bank deposits, prepares daily check-up sheets, makes monthly settlements, writes and signs all checks for disbursements and reconciles the bank statements. Failure to implement adequate segregation of duties could result in the loss of public funds.

Recommendation

The Tax Collector should take steps to ensure adequate segregation of duties in the collection and disbursement functions of the Tax Collector's office are implemented or take steps to see that a system of external oversight over operating procedures of the Tax Collector's office is implemented.

Tax Collectors Response

We are a very small office with limited personnel and employees must do jobs that in larger offices can be designated to several people. We will work to improve.

Sheriff.

Significant Deficiency

12-13. Segregation of duties in the Sheriff's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. Cash collection and disbursement functions in the Sheriff's office are not adequately segregated for effective internal controls. The bookkeeper receipts collections, makes deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements, and disburses all funds. Failure to implement adequate segregation of duties could result in the loss of public funds.

Recommendation

The Sheriff should take steps to ensure adequate segregation of duties in the collection and disbursement functions of the Sheriff's office are implemented or take steps to see that a system of external oversight over operating procedures of the Sheriff's office is implemented.

Sheriff's Response

I will comply.